INREPLY REFER TO DCMC-0

DEFENSE LOGISTICS AGENCY

THE DEFENSE CONTRACT MANAGEMENT COMMAND 8725 JOHN J. KINGMAN ROAD, SUITE 2533 FT. BELVOIR, VIRGINIA 22060-6221

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)

PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)

DIRECTOR, DEFENSE PROCUREMENT

DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM)

DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS) ASSISTANT SECRETARY OF THE ARMY (ACQUISITION, LOGISTICS, AND TECHNOLOGY)

ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT AND ACQUISITION)

ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)

DIRECTOR, BALLISTIC MISSILE DEFENSE

ORGANIZATION

THROUGH: DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Single Process Initiative (SPI) Monthly Report, July 1999

The attached SPI Report is for July 1999. This report is focused on the SPI Workshop held from July 19-2 1, 1999. Summaries of speeches, panel discussions, and of the ten focus areas are included.

The latest SPI statistics can be found at Appendix A. Additionally, a variety of SPI data is also available for viewing on our home page (http://www.dcmc.hq.dla.mil).

Should you have any questions or concerns regarding information contained in the attached report, please contact our SPI/Block Change Management Team Chief, Ms. Stephanie Strohbeck, at (703) 767-247 1.

TIMOTHYP. MALISHENKO

Major General, USAF

Commander

Attachment

cc:

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Defense Contract Management Command Single Process Initiative (SPI) - Monthly Report July 1999

1999 SPI Workshop: Streamlining the SPI Process

- Workshop co-sponsored by the Defense Contract Management Command (DCMC), the Deputy Under Secretary of Defense (Acquisition Reform) and the Defense Systems Management College (DSMC)
 - Members of the Block Change Management Team (BCMT), including those from the military services, DCAA, and DCMC personnel, planned and organized the workshop
- Over 170 registrants participated in ten focus groups
 - DSMC provided facilitators
 - Outbriefings from each focus group can be found on the DCMC homepage
- Summaries of the opening day speeches and panel discussions follow

Highlights from Mr. Soloway's Speech SPI: Its Role in Civil/Military Integration

- Making real strides
 - Reminds us why we are doing SPI and of its strong support
 - SPI is part and parcel of Civil Military Integration (CMI)
 - SPI will be with us for as long as we strive for CMI--which he hopes is a very long time
- SPI Executive Council--Mr. Dave Oliver chairs
 - Ideas come to this group--not just from companies but from Corporate Councils (after having been discussed by customers and suppliers)
 - Philosophy: if all agree something is a good idea, we must find ways of making it happen
- Make sure to baseline and set appropriate performance measure(s)
- Ouestions to ask: What are outputs we want to achieve?
- Civil Military Integration is about accessing solutions that are currently inaccessible to us
 - Consideration may distract us from the overall goal which is performance improvements
 - Good, strong, tough performance measures but should not be a barrier
 - Some performance measures cannot be monetized
- New report coming soon "Towards a Commercial Business Environment"
 - His office will be offering a Change Management Approach to assist those trying to implement change
 - Committed to help with resources and facilitation to change in the field
- Need to be "aggressively innovative"
 - Think of the "end state"--then worry about how to get there

Panel Discussion: Future Role of SPI in Acquisition Reform Panelists

Major General Timothy Malishenko, Commander, DCMC
Dr. Kenneth Oscar, Deputy Assistant Secretary of the Army for Procurement
Rear Admiral Bill Jenkins, Deputy Assistant Secretary of the Navy
(Acquisition and Business Management)

Mr. Tim Beyland, Air Force Associate Deputy Assistant Secretary (Contracting)
Moderator

Ms. Jill Pettibone, Executive Director, Contract Management Operations, DCMC

- We are on a journey, with the destination not SPI, rather Civil Military Integration (CMI)
- Challenges remain
 - If companies are going to be more efficient, need business sector-wide changes
 - Supplier subcontractor involvement with Aerospace Industries Association
 - Achieve CMI which will provide overall savings and declining unit costs
- SPI has saved a lot of money--cost avoidance even better but hard to measure
- Too many people haven't switched to performance specifications- get with it!
- What incentive is there for contractors?
 - One way is incentives in contracts to drive down costs and allow profit to go up as costs come down
 - Suggestion of bigger award fees, so contractor gets bigger market share
- CMI lots going on in France and other countries as well
- FAR Part 12 is meant to help
- Dramatic improvement in customer satisfaction should be a benchmark
- New product lines and efficiencies
- Examples of companies illustrating CMI are Boeing, Lockheed Martin, and AlliedSignal
- Consider utilizing the "Presumptive Approval method"
 - Rather than serial approval, use an approach where say, "this is what we are going to do unless someone disapproves..."
 - Many of the best ideas come from the field
 - Can't forget about the local councils
 - Need to have the right proposals to move forward

SPI's Role in Civil Military Integration- An Industry Perspective Remarks by Mr. Herm Reininga, Vice President Operations, Rockwell Collins

- SPI has helped facilitate important business changes for Rockwell Collins
 - Had two different facilities move toward a virtual factory environment (any product, any place, any time without a cost differential)
 - Biggest naysayers were internal finance department
 - He had them list all their problems--and resolved them
 - A combination of commercial and military best practices were kept
- Why Acquisition Reform?

- Technology Insertion was a very cumbersome process to incorporate changes (Engineering Change Proposal approval cycle exceeded the technical turnover time)
- Enabler to Commercialization
- Customers and suppliers have more latitude to act commercial
- Discussed performance and cost reduction agreements
 - Commercial customers all asking for this
 - Showed awards Rockwell Collins has received over numbers of years--considers these CMI pay offs! Included SPI Recognition Award in 1998; 1999 Gold Supplier to Boeing
- Gave several examples of successes including JDAM, JTIDS, Hand-held GPS
 - Significant reduced acquisition costs to the government
 - 25% unit cost reduction commitment over 5 years in VECP
 - Actual acquisition cost reduction at 4th year in excess of 40%
- How are such things accomplished?
 - Team work
 - Willingness to share risks and opportunities
 - High performance work team--government representative is integral member
 - Bottom line: Thumbs Up! Costs are down!

Panel Discussion: Corporate Council Interface Panelists:

Ms. Karen Wilson, Vice President, Business Practices, AlliedSignal, Inc.
Mr. Edward Will, Director of Contracts & Pricing for Acquisition Streamlining, Military
Aircraft & Missile Systems Group, The Boeing Company
Mr. Peter DeMayo, Vice President, Contracts Policy, Lockheed Martin Corporation
Mr. Dave McDearmont, Manager, Acquisition Reform, Raytheon Systems Company

Moderator: Colonel Bryon Young, USA

AlliedSignal

- Considers Corporate Councils one of the best innovations out of acquisition reform
- Strategically--looking at plant wide approaches
 - Packaging pilot program underway
 - Initiative--standard terms and conditions
 - Piloting a facility wide six sigma approach to process improvement and total quality"do it right the first time"

Boeing

- Backbone of the Corporate Council is the operating councils at the lowest levels
- Additionally, Boeing has 15 process councils arranged around functions
- Sometimes the best practice is an alloy/amalgam of the commercial and military process
- Recognizes that an SPI is not always needed to effect change
- Developing for Centers of Excellence
- Added FAA to the Management Councils

Lockheed Martin

- Corporate concept papers--process has been frustrating
 - Council endorses via signed MOA with concept paper and model Block Change attached
- Referred to their 21 local Management Councils
- Subcontracting initiatives--include value focused relationship, others are SPI processing and best practice leveraging
- Lean initiative and Enterprise Resource Planning activities
- Want to use Corporate Council as somewhat of a Board of Directors

Raytheon

- After mergers, discovered each resultant segment of the business had components of the original four
 - All have been successful with SPI
 - Prior approaches and approvals were not the same
- Decided to redesign approach from having 15 Management Councils to five segment-based Management Councils--called "Customer Councils"--disbanded old Management Councils
- Briefed new approach to DCMC management, DUSD(AR), and to Service Acquisition Executives--all approved the approach
- Have gone to corporate-level SPI's; first three are soldering, quality, and electrostatic discharge
- Likely all future SPIs will be at corporate level

Aerospace Industries Association (AIA)--Supplier Issues Remarks of Mr. William Lewandowski, Vice President

- AIA represents industry with the Government on industry-wide issues
 - Has been an association of large businesses
 - AIA's Supplier Management Council works issues between suppliers and other AIA members
- Suppliers are asking companies: What do you want me to look like in 10 years?
 - In reviewing the Supply Chain, can find duplicative activities throughout the chain
 - Working issues to streamline costs
- Discussed three Resolutions developed by the Supplier Management Council
 - Measuring supplier performance--improve accuracy of rating systems
 - Basic quality reciprocity--reduce audits
 - Supplier SPI
- Working on an SPI template so can submit to a number of companies at the same time
 - Templates with two tiers--when technical review is required or not
- Potential areas for improvement
 - Reduce cycle time for SPI
 - Aiding technical evaluations
 - Stronger incentives to participate

- Other Resolutions
 - Review supplier commodities to determine which qualify as commercial items and to convert those business arrangements to FAR Part 12 contracts
 - Pursue changes with DoD and NASA to allow prime contractors and suppliers to retain all instant contract savings

Focus Areas Addressed at Workshop

- Focus areas were:
 - The "Goodness" of SPI
 - Corporate Council Interface
 - To Escalate or Not to Escalate...
 - Component Team Leader Roles and Responsibilities
 - Reprocurement Issues
 - Reengineering the SPI Process
 - DCMC Roles and Responsibilities
 - Regulatory and Statutory Issues
 - DCAA Role: Cost Benefit Analysis
 - Subcontractor Issues
- Each of the ten focus areas were outbriefed and recommendations made--these are available on the DCMC homepage
- Overarching recommendations were in the areas of Policy, Communication and Outreach, Senior Level Commitment/Management Support, Empowerment, and Training

Excerpts from General Malishenko's Luncheon Speech on July 20

- Industry needs to drive the strategy for CMI
 - Government can facilitate and partner in Management Councils
- Government team members need to understand the strategies of companies they work with and adapt to changes
- CAS Review Panel
 - Looked at trigger concept and found that of 308 business segments, 254 business segments would no longer have CAS coverage; others only modified coverage
 - Significant opportunity if legislation passes
- Price based acquisition--not yet there. Various things, including disputes and claims are all
 cost based.
- Need to write and administer our contracts differently
- CMI is to drive down unit costs of production. Looking for results
 - SPI Executive Council--under leadership of Mr. Dave Oliver--is determined to "slay those dragons"!

After the Workshop: What's Next?

- Block Change Management Team members were assigned to refine and champion the recommendations
- SPI Executive Council will be briefed on recommendations at its September 17, 1999 meeting
- Action plans to be announced in future periodic reports

SINGLE PROCESS INITIATIVE

Implementation Summary

As of: Monday, August 16, 1999

	Contractor Facilities:	329	
	Top 200 Corporation Facilities:	168	
	International Facilities:	19	
	Total Proposed Process Changes:	1706	
	Found Technically Unacceptable:	67	
	Processes Withdrawn/Disapproved:	337	
	Total Block Change Modifications:	1225	
	Average days from Submittal to Modification:	141	
	Total Open:	144	
	* Total Open Aged Over 120 days:	59	
Proposal Development	Total Under Development/Awaiting Initial Acceptance:	31	S
(30 Days)	Total Under Development for More than 30 Days:	30	P
Approval (60 days)	Total Under Review for Approval:	52	1
(00 days)	Disagreements/Problems Escalated:	28	P
	Total Under Review for More than 60 Days:	30	R
Modification (30 days)	Total Awaiting Contract Modification:	61	0
,	Total Awaiting Contract Modification for More than 30 Days:	60	C
Implementation Results	Amount Negotiated: Estimated Cost Avoidance on Future Contracts:	\$30,635,004 \$468,634,954	E S S

^{*} Does not include Law/Reg Proposals, AP2I